March 18, 2020 – AB Market Update: Liquidity

This is a document containing updated information for the Product Disclosure Statements dated 14 June 2019 for the following Funds:

AB Managed Volatility Fund – MVE Class ARSN 099 739 447 APIR ACM0006AU

AllianceBernstein Global Equities Fund ARSN 099 296 607 APIR ACM0009AU

AB Dynamic Global Fixed Interest Fund ARSN 165 810 686 APIR ACM0001AU

that is not materially adverse to investors. This document is issued by AllianceBernstein Investment Management Australia Limited ABN 58 007 212 606 AFSL 230 683.

Equity Markets

Amid periods of elevated market volatility, equity trading volumes often increase while liquidity declines. It is important to differentiate between volume and liquidity, however. Volume reflects the number of shares traded, while liquidity refers to the ease of transacting securities without significant cost or market impact. There are essentially two components of liquidity – bid/ask spreads and depth. In less liquid markets, bid/ask spreads widen and the depth of liquidity is reduced, meaning it becomes more difficult to execute trades with minimal market impact or with minimal cost. Given that equity market volumes are often elevated during volatile periods, the time to execute trades isn't necessarily materially different than would be the case in more normal environments. The cost of executing trades, however, tends to increase. While equity market liquidity has declined amid the recent volatility, to date this has not had a material impact on our ability to execute trades in an efficient manner. We are, however, closely monitoring market liquidity and our experienced team of global traders is well positioned to navigate this uncertain market environment.

Fixed Income Markets

In the current markets, volatility is at an extreme level and liquidity has become significantly reduced across many fixed income instruments including government bond markets. Liquidity management has been a heightened focus for AllianceBernstein for years, as we recognised the reduced liquidity in the marketplace after the 2008-2009 financial crisis. A recent development in markets has been that central banks globally have continued to enact major easing measures, including this week's European Central Bank announcement of a EUR $750 billion Pandemic purchase program, and earlier the Fed cutting its benchmark rate to zero and resuming quantitative easing with plans to buy at least US $700 billion in Treasuries and MBS, as well as committing to pumping several trillion dollars into repo markets if necessary. We see this as a clear signal that policymakers are not going to allow bond yields to drift higher and are prepared to do whatever it takes to ease liquidity conditions, support orderly market functioning and keep financing costs sufficiently low for governments to enact the required crisis measures in the form of considerable fiscal stimulus. While we have seen some liquidity normalizing in the US treasury market and an initial rally in peripheral yields from these recent central bank commitments, our team of experienced global traders will continue to closely monitor market liquidity during this period of uncertain market conditions.

This information is current as at March 18, 2020. Please contact us on (02) 9255 1299 or by email on aust_clientservice@alliancebernstein.com with any queries.

Important Information